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STATE PLEASE PASS DHS - AMB. ARCOS

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SUBJECT: DHS AMBASSADOR ARCOS PRESSES MARITIME SECURITY
AGENDA IN PANAMA

1. Summary: During a March 23-24 visit to Panama, Ambassador Cresencio Arcos, Director for International Affairs at the U.S. Department of Homeland Security pressed the USG agenda on maritime security. At a meeting with Panama's Minister of Government and Justice (MOGJ), Arnulfo Escalona, the Minister discussed the GoP's bilateral security agenda with the USG and broader national policies, including Panama's desire to be a Container Security Initiative (CSI) country. Arcos emphasized the need to stamp out corruption to aid in getting CSI. Escalona reaffirmed the GoP's close and continuing relationship with the United States and updated Arcos on Panama's efforts to comply with other USG and international security initiatives. Arcos later delivered a speech at a broadly attended dinner in which he urged companies from the Colon Free Zone--the world's second largest--to take a leading role in financial and maritime security. He also visited Panama's key cargo and passenger port facilities, and held an interview with a leading local newspaper. End Summary.

Meeting with the Minister of Government and Justice

2. On March 23, Ambassador Arcos, accompanied by the DCM and Econoff, met with MOGJ Escalona. Also attending were GoP Public Security and National Defense Council (Consejo) Executive Secretary Ramiro Jarvis, National Police (PNP) Director Carlos Bares, Maritime Authority (AMP) Director Bertilda Garcia, and AMP Deputy Director Capt. Luis Perez Salamero. Ambassador Arcos opened by noting that the landscape of terrorism was rapidly changing, and that governments had to work aggressively to adapt and remain innovative to be one step ahead of terrorists. He thanked the GoP for its continued support in this effort. Minister Escalona replied that Panama was and would remain a strong partner to the United States in the aviation and maritime security arenas, and this was the policy of the entire Moscoso administration. To that end, there were two agendas that the GoP followed--the specific U.S.-Panama bilateral relationship and a general GoP security agenda.

The Container Security Initiative: a GoP Priority

3. In the bilateral arena, he said, the GoP was making every effort to become a Container Security Initiative country. He pointed to the extensive GoP support of a January 14-21 CSI technical visit by DHS officials, and noted that the GoP was still waiting for a formal report from that visit to implement further improvements and move forward. He queried on the status of the proposed Declaration of Principles (DoP) for CSI, saying, "Tell me where to sign." (Note: The draft agreement has been with DHS headquarters since March 1. Our GoP interlocutors continue to press for a DoP status update at every opportunity. End Note.) He observed that Panama's law for privatization of ports hadn't contemplated security oversight, and in essence, the GoP had given up this control to the operators when the port concessions were granted to private companies. He said the GoP deemed CSI as key to regain effective sovereignty over the ports as well as strengthening GoP institutions and offering a competitive advantage to Panama's maritime industry.

4. Ambassador Arcos replied Panama was a truly changed place. He observed that the USG and GoP were much more than just friendly nations, but had a healthy, cooperative relationship. He said it was clear that Panama understood its role as a strategically critical country, especially with the new threat of terrorism. Given that 60% of world GDP is in the Pacific basin, with all projections indicating an increase, Panama's strategic importance could only grow. Arcos mentioned that 20 countries are CSI certified and that DHS is now looking at the second tier of developing nations, of which Panama was included. Arcos said that the USG was

considering many issues for including a country in CSI, but emphasized that "port integrity" that kept out corruption was a major factor. CSI involved much more than signing documents, he stressed.

Other USG initiatives also highlighted: TECI, EXBS, PSI

15. Escalona said that a GoP inter-agency working group was reviewing Panamanian law to determine compliance with the Department of Commerce's Trans-shipment Export Control Initiative (TECI) and the Department of State's Export Control and Related Border Security Assistance (EXBS) program. He said the working group was to present a law proposal to the Legislative Assembly before the summer that would greatly improve the GoP's control of dual use items entering, leaving and transiting Panama. Escalona added that the GoP was reviewing ways to sign a Proliferation Security Initiative (PSI) boarding agreement with the USG, and that it was beginning to focus on cruise ship security, given the rapid increase of port calls in the past two years, and asked for our assistance to train Panamanian officials in this area. (Note: The Embassy is currently working with GoP entities to address this endeavor. End note.)

International Ship and Port Security (ISPS) Code

16. AMP's Salamero noted that the AMP was charged with International Ship and Port Facility Security (ISPS) code implementation for Panama. Beginning April 15 he said, the AMP would begin to review port security plans for Panama's major ports, including the Panama Canal. He added that 5500 Panama-flagged ships are subject to ISPS review. Of those, the three GoP-designated Recognized Security Organizations (RSO's) had approved 2200 security plans for ships and another 800 are in the pipeline. He opined that Panama was well ahead of other maritime states in its ISPS implementation. Arcos reiterated the importance of ISPS compliance, and noted that the July 1 deadline for implementation was very firm. Salamero responded that for this very reason, the GoP was requiring all Panama-flagged vessels to turn in their ship security plans by May 1 to avoid a bottleneck just before July. Arcos noted that the movement of people across borders is a challenge, and alluded to the USVISIT program, which will include biometrics for passports. He urged the GoP to apply similar standards to mariner documents.

Airport Security, Borders, and Migration

17. Escalona then moved to the general GoP security agenda, saying that the GoP viewed the June 2003 semi-privatization of the Tocumen International airport as a positive move to strengthen security, as it would allow the airport to undertake a \$50 million renovation that would include significant security upgrades, including suggestions made by a March 10-17 Transportation Security Agency (TSA) team. He noted that the GoP was working to strengthen its border security by taking a strong stand against the Colombian FARC in the Darien region. He said the GoP had regained control of the Darien, professionalizing and increasing the PNP forces there to keep the FARC from using the Darien as a safe haven. Escalona added that the GoP coordinated closely with Colombian counterparts to repatriate refugees as humanely as possible, and was working hard to address narcotrafficking. He said that USG support, such as a recent \$1 million allocation to help maintain the National Air Service's helicopters, was integral in all these efforts and greatly appreciated. Escalona finished by saying that the GoP was revising its migration policy, including a census of illegal immigrants in Panama, passing laws to stop child pornography and clamping down on prostitution abuses--this latter initiative to address concerns about trafficking in persons.

18. In a press conference following the meeting, Ambassador Arcos emphasized the positive relationship between the two countries, noting it was a solid basis on which to build to confront threats. He added that Panama and the Canal were strategically important, and underlined the importance of striking a balance between security and open commerce.

Speech to the Users Association of the Colon Free Zone

19. Immediately after, Ambassador Arcos addressed the Colon Free Zone (CFZ) Users Association, which represents the majority of companies present in the world's second largest free zone, on the topic of the new security stance of the United States and its implications for Panama. He noted that Latin America was much affected by changes in U.S. security and gave an overview of DHS operations. He observed that 13% of U.S. maritime commerce passes through the Panama Canal, and lauded the GoP's counterdrug cooperation. He noted that the recently announced U.S.-Panama Free Trade Agreement negotiations would enhance respect for the rule of law in Panama and would ensure strong and accountable institutions of government. He exhorted the CFZ to be a global standard bearer in the areas of financial and transportation security.

Review of the Canal and Ports, PVSA, CSI Redux

10. On March 24, Ambassador Arcos participated in an overflight of the Panama Canal and its installations. Afterwards he visited Atlantic-side ports including Panama Ports Company's Cristobal passenger and cargo installations, the Colon 2000 passenger terminal, and the U.S.-owned Manzanillo International Terminal (MIT) for cargo. Upon return to Panama City, Ambassador Arcos also visited the Fort Amador cruise ship, hotel, and shopping complex. MIT managers noted that while the privatized ports in Panama were prepared to shoulder the costs of CSI implementation, it was important to keep in mind that only 70,000 containers that were transshipped (off-loaded and then unloaded again) in Panama actually were destined for the United States, and of those, more than 80% originated from CSI-certified ports. In addition, they observed that Panama was the country of origin of perhaps only 20,000 more containers. Ambassador Arcos reiterated that CSI considers many factors, not just container volumes, and highlighted the need to stamp out corruption to maintain port security integrity. The cruise ship terminal operators expressed their interest in Panama's designation as a distant foreign port under the Passenger Vessels Services Act (PVSA), claiming that the designation could significantly increase the number of port calls to Panama and thus significantly benefit the tourism sector. Arcos replied that the Department of Commerce continues to analyze the economic impact of the change and that the USG would consider options soon.

Interview with El Panama America Newspaper

11. Though Ambassador Arcos discussed the broad maritime agenda in a one-on-one interview with El Panama America, a leading Panamanian daily, the published article focused entirely on the background of the CSI program and Panama's potential to be included. The article noted that Arcos had visited Panama's key ports and his observation that there is no set timetable for CSI implementation for Panama.

12. Ambassador Arcos did not have the opportunity to clear this cable.
MCMULLEN